

Message Text

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PAGE 01 BRUSSE 00115 061700Z

ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CIAE-00 COME-00 EB-07
FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06
SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
STR-04 CEA-01 PA-02 PRS-01 L-03 H-02 EURE-00 /114 W
-----061707Z 093711 /65

P R 061453Z JAN 77

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC PRIORITY 8739

INFO AMEMBASSY BONN

AMEMBASSY COPENHAGEN

AMEMBASSY LUXEMBOURG

AMEMBASSY OSLO

AMEMBASSY PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY VIENNA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USDEL MTN GENEVA

UNCLAS BRUSSELS 0115

PASS TREASURY AND FEDERAL RESERVE

E.O. 11652:N/A

TAGS:EFIN,BE

SUBJECT: BELGIAN NATIONAL BANK LOWERS MAIN DISCOUNT RATE

REF: 76 BRUSSELS 12747

1.THE BELGIAN NATIONAL BANK (BNB)ANNOUNCED LATE JANUARY 5
THAT IT IS REDUCING ITS CENTRAL DISCOUNT RATE FROM NINE TO
EIGHT PERCENT.THIS IS THE FIRST SHIFT IN THE DISCOUNT RATE
SINCE IT WAS LAST INCREASED AUGUST 13, 1976 DURING LAST SUMMER'S
BOUT OF INSTABILITY ON FOREX MARKETS.

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2.AT THE SAME TIME,THE BNB IS ALSO LOWERING ITS ADVANCE RATE
ON CURRENT ACCOUNTS (FROM TEN TO EIGHT PERCENT),AS WELL AS
CERTAIN SPECIAL RATES (FROM TEN OR TEN OND ONE-HALF
PERCENT TO EIGHT AND ONE-HALF PERCENT).IT IS INCREASING
ITS REDISCOUNT CEILINGS FOR INDIVIDUAL BANKS BY TEN
PERCENT (ON TOP OF AN EARLIER TEN PERCENT INCREASE ANNOUNCED LAST

MONTH).

3. IN A COMMUNIQUE ANNOUNCING THESE DECISIONS, THE BNB SAYS THAT THEY WERE MADE POSSIBLE BY THE CONTINUING STRENGTH OF THE BELGIAN FRANC ON FOREX MARKETS. THE MOVE IS ALSO IN RECOGNITION OF THE CURRENTLY STAGNANT ECONOMIC SITUATION HERE, ACCORDING TO THE BANK, WHICH FURTHER EXPRESSES THE HOPE THAT IT WILL HAVE A SIGNIFICANTLY DEPRESSIVE EFFECT ON SHORT-TERM INTEREST RATES.

4. THE BNB'S ACTIONS WILL NO DOUBT BE WELCOMED BY THE BELGIAN BUSINESS AND FINANCIAL COMMUNITY. IT IS UNCLEAR HOW MUCH EFFECT THEY WILL HAVE ON SHORT-TERM RATES, HOWEVER, GIVEN HEAVY GOVERNMENT MEDIUM-TERM BORROWING (BF 40 TO 50 BILLION) ON LOCAL MONEY MARKETS THIS MONTH. IN ADDITION, THE BNB REMAINS WARY OF LETTING SHORT-TERM RATES FALL TOO CLOSE TO THOSE IN WEST GERMANY; THE CURRENT DIFFERENTIAL IS A USEFUL MEANS OF ENCOURAGING BUSINESSMEN TO KEEP THEIR MONEY IN BF, RATHER THAN SPECULATING ON ANOTHER REVALUATION OF THE DM.
FIRESTONE

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Message Attributes

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Disposition Approved on Date:
Disposition Case Number: n/a
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